

Public Service Commission of Wisconsin
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**Application of Wisconsin Energy Corporation for Approval to Acquire the
Outstanding Common Stock of Integrys Energy Group, Inc.
PSCW Docket No. 9400-YO-100**

**WEC's Response to
CUB's Fourth Data Request
Dated: February 18, 2015**

REQUEST NO. 04-CUB-INT-03:

Please identify all agreements or commitments, whether written or otherwise, that WEC has made or agreed to enter into with any party, including Illinois Commission staff, to Illinois Commerce Commission Docket No. 14-0496 to remove objections to, address concerns regarding, or otherwise facilitate approval of the proposed acquisition transaction.

RESPONSE:

The commitments made in Illinois to address concerns regarding the proposed transaction are reflected in the attached exhibit to Mr. Leverett's Illinois Surrebuttal testimony entitled "JA Ex. 15.1 REV. (REDLINED) -- List of Commitments and Conditions 0 2.13.15."

Answered by: James Schubilske

Public Service Commission of Wisconsin
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**Commitments Made and Conditions Agreed To By the Joint Applicants
(through Surrebuttal Testimony)¹**

1. The Gas Companies will not seek increases of their base rates set in Docket Nos. 14-0224/14-0225 (cons.) that would become effective earlier than two years after the Reorganization closes. All riders and automatic adjustment clauses in effect as of the Commission's final Order in Docket Nos. 14-0224/14-0225 (cons.) to remain in effect and continue to operate pursuant to their terms. The Gas Companies retain the right to request that the Commission waive this base rate limitation if the financial integrity of Peoples Gas and/or North Shore is jeopardized to the extent of negatively affecting customers. This commitment does not deprive the Gas Companies of their rights to seek rehearing or judicial review of the Commission's decision in Docket Nos. 14-0224/14-0225 (cons.).
2. WEC Energy Group will maintain at least 1,953 full-time equivalent employment ("FTEs") positions in the State of Illinois for two years after the Reorganization closes.

In the alternative: The Joint Applicants agree that the Gas Companies will maintain at least 1,534 FTEs for two years after the Reorganization closes.

3. The Gas Companies' existing labor agreements will be honored.
4. The Gas Companies' existing commitments to worker training will be maintained for two years after the Reorganization closes.
5. Peoples Gas will continue the Accelerated Main Replacement Program ("AMRP"), assuming it receives and continues to receive appropriate cost recovery, with a planned 2030 completion date.
6. Wisconsin Energy will file a notice in this proceeding on e-Docket, to be served in the normal course as other filings on the parties of record, informing the Commission and the parties when closing of the Transaction has occurred.
7. WEC Energy Group will carefully review the results of the Commission's audit of the Peoples Gas AMRP and will ensure that Peoples Gas works to coordinate with the City of Chicago in the execution of the AMRP.
8. WEC Energy Group will maintain Integrys' existing levels of community involvement in the communities the Gas Companies serve.

¹ Unless otherwise noted, capitalized terms in this document have the same meaning as in the direct testimony of Joint Applicants witness Allen Leverett (Joint Applicants Ex. 1.0).

9. With respect to each recommendation contained in the final report of the investigation of Peoples Gas' AMRP completed at the direction of the Commission in its June 18, 2013 Order in Docket No. 12-0512 under the authority granted in Section 8-102 of the Act (220 ILCS 5/8-102), Peoples Gas shall evaluate the recommendation and implement it if the recommendation is possible to implement, practical and reasonable from the standpoint of stakeholders and Peoples Gas customers, and cost-effective. Implementing a recommendation means taking action per a recommendation. ~~and, if~~ Peoples Gas determines ~~the that a~~ recommendation is not possible, practical, and reasonable, including that the recommendation would not be cost-effective or would require imprudent expenditures. does not meet these criteria, that Peoples Gas ~~will~~shall provide an explanation of Peoples Gas's ~~that~~ determination with all necessary documentation and studies to demonstrate to the satisfaction of the Commission Staff that strict implementation of the recommendation is not possible, practical, or reasonable, along with an alternative plan to accomplish the goals of the recommendation as fully as is possible, practical, and reasonable. In the event that Peoples Gas and Commission Staff cannot reach agreement ~~on-as to~~ whether a recommendation should be implemented and/or how it should be implemented, Peoples Gas may file a petition to obtain the Commission's determination ~~on-as to~~ whether and/or how the recommendation is to be implemented.
10. Peoples Gas will cooperate fully with the Commission's Staff and consultants as they work to verify that Peoples Gas has implemented the recommendations in the final report on the Peoples Gas' AMRP investigation to the extent it is determined they should be implemented pursuant to Condition #9, above. Cooperation means to provide requested personnel who are reasonably involved in, connected to, and/or relevant to the AMRP and/or the Liberty audit for interviews in a timely manner in which the personnel interviewed shall provide, to the best of their ability, accurate and complete non-privileged information in response to questions asked, to answer written questions in a reasonable time with accurate and complete non-privileged information, and to make all non-privileged information, equipment, work sites, work forces and facilities available for inspection upon reasonable request.
11. Peoples Gas will provide written reports to the Commission Staff on or before January 1 and July 1 of each year, beginning in the year 2018 and ending only after the completion of the AMRP or any successor program that replaces the AMRP, about any change in implementation of the recommendations in the final report of the investigation of Peoples Gas' AMRP to the extent it is determined they should be implemented pursuant to Condition #9, above. An officer of Peoples Gas shall provide written verification of the accuracy and completeness of each report.
12. The Gas Companies shall cease their reporting on Condition #24 from Docket No. 06-0540.
13. The Joint Applicants agree to make at least \$1 billion in capital expenditures for Peoples Gas and at least \$43 million in capital expenditures for North Shore during the 2015 through 2017 period. The Joint Applicants shall provide a running total of the Gas

Companies' capital expenditures in their semi-annual compliance report to the Commission.

14. The Joint Applicants shall work with Staff to plan and develop a Pipeline Safety Management System for the Gas Companies during the two years after the close of the Reorganization.
15. With respect to indoor meters that are associated with pipe to be replaced as part of AMRP, the Joint Applicants agree that the decision process for leaving meters inside, or not centrally located, needs to be based on a common set of expectations that are uniformly applied. Within six months after the close of the Reorganization, the Joint Applicants will develop a new process for Staff review, with standard criteria and approvals, describing when Peoples Gas will allow a meter to stay inside or in a decentralized location. Peoples Gas will implement the new process and, as part of its discussions with Staff, work on developing and implementing refinements to the process.
16. In future rate cases, the Gas Companies shall identify all transaction costs included in the test period that result from accomplishing the Reorganization and demonstrate that such costs are not included in the rate case for recovery.²
17. The Gas Companies shall separately identify and track transaction costs and transition costs.
18. Any accounting entries made to the books of the Gas Companies for push-down accounting related to the Reorganization shall be disregarded for ratemaking and regulatory reporting purposes.
19. Allocation of any savings resulting from the proposed reorganization shall flow through to ratepayers.
20. Transaction costs incurred in accomplishing the proposed Reorganization shall not be recoverable from ratepayers.
21. Transition costs may be recoverable to the extent the transition costs produce savings.
22. The Joint Applicants must provide the Manager of the Commission's Accounting Department and file on the ICC's e-Docket system in Docket No. 14-0496, a copy of the signed, executed Interim WEC Energy Group Affiliated Interest Agreement ("Interim Agreement") that is being approved by the Commission in this proceeding, within 60 days after the date of the transaction.

² The Joint Applicants agree to this condition based on the understanding that the costs referred to are "transaction costs." "Transaction costs" are the costs associated with executing the transaction at issue, such as banker's fees, legal fees, or severance costs incurred as a result of the transaction (*i.e.*, executive change-in-control payments as identified in an SEC Form S-4). In contrast, "transition costs" are costs incurred after the close of the transaction to achieve long-term efficiencies and savings, and which may be recovered to the extent they produce savings.

23. The Joint Applicants must provide to the Manager of the Commission's Accounting Department and file on the ICC's e-Docket system in Docket No. 14-0496 a copy of the signed, executed Final Agreement pursuant to the Commission order in Docket Nos. 12-0273/13-0612 (Cons.) if there are any changes between the Interim Agreement and a Final Agreement.
24. The Gas Companies must supplement the information provided annually in their Form 21 ILCCs to the Commission with the following information on page 47 of ILCC Form 21, beginning with the 2014 information to be submitted by March 31, 2015:

Column A – A breakdown of affiliated transactions by functional area grouped by direct billed versus allocated costs

Column B – Name of associated/affiliated company providing or receiving the service

Column C – Account that charges from associated/affiliated company are booked if the costs would have originated at the utility

Column D – Amount for the year

Column E – Docket number and regulatory authority approving the transaction

Column F – Footnote referencing the applicable exhibits from the affiliated interest agreements

25. The Joint Applicants must file a semi-annual compliance report on the ICC's e-Docket system in Docket No. 14-0496, reporting the status of their progress on all conditions imposed by the Commission in this case until all conditions have been satisfied or the Joint Applicants petition the Commission and receive approval to cease such reporting requirement, whichever comes first.
26. The Chief Executive Officer of WEC Energy Group must, on an annual basis, appear before the Commission to report on the status of the Joint Applicants' compliance with the Order in Docket No. 14-0496, and to continue to appear until all conditions have been satisfied or the Joint Applicants petition the Commission and receive approval to cease such appearance requirement, whichever comes first.
27. Peoples Gas and North Shore are to maintain separate credit facilities to the extent they existed prior to the entry of the final Order in this proceeding approving the Reorganization, not accessible to nor influenced by non-utility affiliates.
28. The Gas Companies shall be prohibited from lending to non-utility affiliates under Section 7-101 of the Act or 83 Illinois Administrative Code Part 340.
29. The Gas Companies shall be prohibited from guaranteeing any obligations of their non-utility affiliates.
30. The WEC Energy Group shall file with the Commission, within 90 days after the closing of the Reorganization, a report detailing the debt held at the WEC Energy Group holding company and Integrys sub-holding company levels, its relationship to total holding company debt and the company's plans to reduce the debt, with updated reports to be filed annually until the debt at the holding companies declines to 15% of total debt.

31. The Gas Companies shall file a compliance report in Docket No. 14-0496 within 180 days after the close of the Reorganization, with a copy to the Manager of the Commission's Finance Department, that describes the Gas Companies' post-merger capital structures and identifies capital structure adjustments, if any, that resulted from the Reorganization, and, in the event that there are push-down accounting adjustments made to the Gas Companies' balance sheets as a result of the Reorganization, that the Gas Companies shall file a petition with the Commission seeking Commission approval of the fair value studies and resulting capital structures for the Gas Companies pursuant to Section 6-103 of the Act.
32. Peoples Gas and North Shore shall present a detailed study within six months after the close of the Reorganization showing the costs and savings of U.S. Securities Exchange Commission registration compared to remaining unregistered.
33. Peoples Gas and North Shore shall perform a study of appropriate post-merger capital structures similar to those ordered in Docket Nos. 11-0721 and 12-0001. Commonwealth Edison Co., Order, ICC Docket No. 11-0721, 134 (May 29, 2012); Ameren Illinois Co., Order, ICC Docket No. 12-0001, 121 (September 19, 2012). The study, to be performed by the Gas Companies under the guidance of the ICC's Finance Department Manager, should commence no later than six months prior to, and be presented to the Commission in final form at the time of or before, the filing of the Gas Companies' next rate cases.
34. All annual credit reviews of the Gas Companies and WEC Energy Group published by credit rating agencies shall be filed with the Commission in this docket within 10 business days after being published, and in a manner consistent with the requirements for publication imposed by the copyright holders.
35. The Joint Applicants will review and attempt to improve their performance with respect to the AMRP on a continuing basis as work on the project progresses.
36. For as long as the Gas Companies are owned by the WEC Energy Group, at least one member of the WEC Energy Group Board of Directors will be an Illinois resident.
37. The Joint Applicants commit that the Gas Companies will build and establish a new, state-of-the-art training facility in the City of Chicago.
38. Peoples Gas has agreed to extend for five years from April 2015 its funding of technical training for future gas utility workers at Dawson Technical Institute at a satellite location of the City Colleges of Chicago's Kennedy King College.
39. WEC Energy Group will contribute \$5 million of shareholder money over the next five years to the Peoples Gas Share the Warmth program, with \$1 million being contributed in 2015.
40. The Joint Applicants will continue investigating whether and to what extent it is possible for the Gas Companies to participate in the Chicago Department of Transportation's dotMaps website.

41. The Gas Companies will not seek recovery of any severance costs that are transaction costs because they are incurred as part of accomplishing the Transaction (*i.e.*, executive change-in-control payments identified in SEC Form S-4).
42. The Joint Applicants will maintain the Gas Companies' existing large volume transportation and small volume Choices For You programs in substantially the same form as they exist now for at least two years after the close of the Reorganization.
43. North Shore and Peoples Gas each shall make a tariff filing under Section 9-201 of the Act to revise Section G of Rider P of their Schedule of Rates for Gas Service to restore, with two revisions, the tariff language creating a late nomination right, which terminated on January 31, 2014. The revisions are: (1) delete the phrase "For the period commencing May 1, 2012, and ending January 31, 2014,"; and (2) rather than state specific times at which North Shore/Peoples Gas will post the aggregate quantity of changes (was 2:00 p.m. Central Time) and at which the nomination is due (was 3:00 p.m. Central Time), state the times as relative to the timely nomination deadline established by the Federal Energy Regulatory Commission for interstate pipelines (*i.e.*, in place of 2:00 p.m. Central Time, two and one-half hours after the timely nomination deadline and in place of 3:00 p.m. Central Time, three and one-half hours after the timely nomination deadline).
44. The Gas Companies shall meet and discuss with RESA the following issues relating to the Gas Companies' small volume (Choices For You) and large volume transportation programs subsequent to the Commission issuing its final Order in Docket No. 14-0496:
 - a) The Gas Companies' pooling charges;
 - b) Development of a process to allow Percentage of Income Payment Program (PIPP) customers to choose an alternative gas supplier;
 - c) Adoption of email, a secure FTP site, or fax for enrollment confirmations;
 - d) Modification of the liquidated damages provision in the existing Choices For You Billing Services Agreement to make it consistent with that type of agreement;
 - e) Development of a "wallet ready" enrollment process;
 - f) The billing for non-commodity products and services by non-affiliates on utility bills; and
 - g) A purchase of receivables tariff as described in the testimony of Ms. Debra Egelhoff in ICC Docket Nos. 14-0224/14-0225 (consol.).